

THE SPIRIT OF CONFUCIANISM IN THE DEVELOPMENT OF A HUMANIST ACCOUNTING PROFESSION

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Abstract: Confucianism is a doctrine that invites us always to be agile in dealing with actual situations and conditions. Moreover, with its teachings and values such as self-civilization, moral example and prioritizing virtue ethics, these Confucian values are relevant to inspire and motivate accounting professionals to carry out their professional duties. This paper uses a literature review to examine the Confucianism doctrine relevant to accounting professional value. The value of humanism contained in Confucianism aims to bring inner and outer happiness so that humans, as the centre of happiness, must be able to produce a better quality of life. The golden rule of Confucianism, "Do not do unto others what you would not want others to do unto you, " can inspire the accounting profession to act and think fairly to solve their professional job.

Keywords: *Confucianism, the accounting profession, humanist*

Introduction

Knowing Confucianism is like resurrecting the spirit of human civilization. Humanistic Confucian teachings contributed to the development of Chinese civilization. Confucius (551-479 BC) established Confucianism. Confucius is the Latinized form of the Chinese name "Kung Tzu," which translates to "Master Kung." The name implies that Confucius came from an educated family that lost its position due to chaos and civil war during the Chou Dynasty (Lasiyo, 1997).

This Confucian teaching can respond to the evolution of real-world circumstances and situations and can offer solutions to issues that may come up. Confucius' ideas continue to be scientifically relevant, and the emergence of new industrial countries in the Asian region, such as Hong Kong, Taiwan, Korea, and Singapore, is influenced by Eastern philosophy and culture, particularly Confucianism (Lasiyo, 1997). Evidence of Confucianism's significant influence in East Asia is also documented in the book *The Laws and Economics of Confucianism*, which claims that China's current rapid industrialization is influenced by Chinese cultural factors that are dominantly correlated with Confucian practices and values (Van, 2020; Zhang, 2017).

Confucius' emphasis on self-civilization, moral excellence, and the capacity to make well-informed decisions while giving priority to virtue ethics are its most important teachings (Heriyanti, 2021). Confucianism introduced humanism concepts such as *Zhengming* (righteousness, self-respect), *Yi* (wisdom), *Ren* (human kindness), *Xiao* (respect), *Li* (ritual), and *Tianming* (heavenly commandment). Confucianism, too, has values such as *Zhi* (knowledge), *Xin* (integrity), *Zhong* (loyalty), *Xiao* (respect for parents), *Chi* (shame), *Liang* (kindness), *Cheng* (honesty), *Wen* (heroic), and *Shu* (forgiving attitude) (Asruchin, 2018).

Confucian philosophy is formed on the desire to meet human needs, particularly the desire for happiness, both external and inner happiness. Confucianism holds that everyone wishes for an orderly, peaceful, and happy life. This humanistic tendency will regard humans as the center of everything, and human abilities must be developed in such a way that they will be able to produce useful things to improve the quality of human life through their rational creative power (Heriyanti, 2021).

With increasingly complex problems, humans should be more humane in their approaches to solving them. As a result, Confucianism believes that the presence of a good leader, full of virtue, who pays attention to and even prioritizes the interests of the people, will create a prosperous and peaceful society, resulting in universal harmony (Heriyanti, 2021; Van, 2020).

In the context of Accounting, the relationship between Confucian philosophy and Accounting can be traced in various existing literature (Elkhashen and Ntim, 2018; West, 2018). However, there are still concerns about the use of the term philosophy due to the scarcity of studies on philosophy and accounting (Buys, 2008). Even the notion of linking accounting with a philosophical perspective is debated (Husband, 1954).

"Philosophy" is defined as "the questioning of basic fundamental concepts and the need to embrace a meaningful understanding of a particular field" (Burke, 2007). Furthermore, it was discovered that accounting practice can be viewed from the perspectives of ontology, epistemology, and axiology (Leniwati, 2019), implying that accounting professionalism can also be studied from a philosophical point of view. Even recent research shows that incorporating philosophical values, particularly Confucianism, into a company reduces auditor changes, boosts credit morale, and strengthens the cultural foundation of credit governance, and that the stronger the Confucian attachment, the more stable the audit contract (Ye et al., 2022). This means that accounting is regarded as a body of knowledge that can be explained philosophically (Elkhashen and Ntim, 2018)

Accounting Education as a Professional Virtue Value Structure Builder

The Confucian teachings offer perspectives on the value of moral character, especially in leaders. The Confucian view of society as a structure with sub-structures between them must be in harmony in order to achieve the larger structure's goals. Understanding the structure's substructure is critical for proper substructure-structure alignment. Therefore, having a highly moral leader present is essential to creating harmonious structures and substructures.

It takes time and effort to achieve such harmony, so a thorough understanding of each component's position, status, and function within the larger structure is necessary. According to Confucianism, the educational process and educational institutions play an important role in establishing a deep understanding process. By placing education as the center of the process of achieving understanding, Confucius has fundamentally changed the purpose of education. Education was traditionally seen during Confucius's time as a system that produced skilled workers willing to follow the rules of the government. Such educational institutions, according to Confucius, are insufficient because they are unable to provide a moral foundation, values, and norms for their students, who will play important roles when they enter government.

This viewpoint is similar to Friere's, in that education is viewed not only as a producer of skilled labor, but also as a producer of thinkers with critical thinking abilities who contribute to civilization (Freire, 1974). Education, particularly direct observation, necessitates the ability to think critically. Confucius placed a strong emphasis on understanding the

motivations behind all of these actions when identifying different values and social norms in society, as well as creating avenues for social change. This also confirms that Confucianism's teachings are quite flexible in interpreting social dynamics while remaining consistent with its main goal, namely virtue. Education and the learning process play an important role in Confucius' teachings. According to Confucius, education is the only way to become the ultimate human being. The obligation grows in proportion to one's position and responsibility in society. For Confucius, the ideal human being was one who prioritized others and virtue

Zhengming Values Framework (rectification of names) as Contributors to Enforcing Accounting Professional Identity

In reality, humans are constantly confronted with increasingly complex challenges, particularly as knowledge, technology, and civilization advance. To meet these challenges, each individual must become more mature in dealing with all of the challenges and problems that they face. As a result, the grip of life becomes important as a reference, providing humans with clear benchmarks against which to measure the quality of their lives.

Everyone must act in a manner consistent with the status they uphold. As a person who works in accounting, he must make sure that he avoids conflicts of interest when performing his professional duties. If a conflict of interest condition occurs and cannot be controlled, then the potential for chaos, especially in the form of an accounting scandal, is very likely to occur. For example, various accounting scandals dating back to the Mesopotamian era, such as the South Sea Bubble in 1720, to cases that became worldwide news, such as Enron, WorldCom, Adelphia, and Tyco in 2002. A year later, in 2003, the world was shocked by the case of an accounting scandal in an Italian dairy and food production company called "Parmalat." Despite the fact that this is a global case, previous researchers referred to the Parmalat case as the European version of Enron: the Italian Mafia (Lisa et al., 2017).

Other global accounting scandals include Olympus in Japan (2011) and Tesco (2014), both of which were known to have manipulated earnings, as well as Toshiba's (2015) financial statement fraud (Awolowo et al., 2018). Various lists of accounting scandals that emerge demonstrate that the condition of conflict of interest is diametrically opposed to Zhengming's values (appropriate self-positioning), resulting in chaotic conditions in the end.

In addition to the scandals that occurred internationally, Indonesia also has a history of accounting scandals. Leading examples include PT KAI, which was found to have manipulated profits in its financial statements in 2006, claiming a profit of 6.9 billion when the actual loss was 63 billion (Sandria, 2021). Furthermore, a number of other scandals have emerged, such as the case of the IPO of PT Kimia Farma's shares, which claimed a profit of 132 billion but was later revealed to be fabricated. The scandal involving PT Asuransi Jiwasraya, which had negative equity and failed to pay its customers' insurance policy claims, is no less surprising. When observed, the most common mode of the scandals that occurred above is the manipulation of financial statements by management and auditors who conduct audits of the company's financial statements. In the case of Enron, for example, debts of up to 75% of the market value of its shares have accrued since the merger of Houston Natural Gas and Internorth. In these circumstances, the management of Enron and KAP Arthur Andersen then manipulated financial data by purchasing and selling debt between corporations and creating a Special Purpose Entity (SPE), which according to accounting rules allowed corporations to omit SPE from the financial statements as long as there is a party who can control its implementation and owns at least three percent of the SPE value.

The Enron case is a vivid example of how, according to Confucian philosophy, people who act as auditors who should be guardians of integrity have violated Zhengming's values by not putting themselves in the right position, but instead being perpetrators of fraud, which should not be done by an auditor in the context of his position as checking the accountability of financial statements. However, due to being trapped in a conflict of interest, the scandal ensued.

The findings above support the statement that accounting scandals in the last two decades are not surprising given the magnitude of market failures, but they also call into question the integrity and capacity of the auditing profession (Bhasin, 2015; Digabriele, 2008). Financial statement fraud refers to the intentional misrepresentation of a company's financial condition through the misrepresentation or omission of amounts or disclosures in financial statements with the goal of misleading financial statement users (Association of Certified Fraud Examiners, 2020).

The emergence of different rules that keep the accounting profession on the right track of positioning itself is one example of how Zhengming's values are being implemented in the accounting profession. For example, in 2001, the United States Parliament passed the Sarbanes Oxley Act, also known as SOX. The efforts to improve the ethics of accounting practices that rely on the 2021 Indonesian Accountant Code of Ethics can also be seen as improvements to the accounting profession that are in line with their roles and positioning.

The Code of Ethics of the Indonesian Institute of Accountants is meant to serve as a manual and set of rules for all members as they carry out their professional responsibilities, regardless of whether they work as public accountants, in the business world, in governmental institutions, or in the field of education (Institut Akuntan Publik Indonesia, 2020). The five basic principles of ethics that are regulated include integrity, objectivity, professional competence and prudence, confidentiality, and professional behavior. These five factors put the accounting profession in a position that is consistent with Zhengming's values from a Confucian perspective

The embodiment of the value of Yi (virtue/righteousness) in the Accounting Profession

Confucian teachings are distinguished by the belief that humans are fundamentally good, capable of learning and improving themselves through personal and communal efforts, particularly self-development and self-creation (Heriyanti, 2021). Confucian philosophy is particularly concerned with cultivating virtue in a world ruled by moral principles. Generally speaking, Confucian philosophy aims to strengthen and balance interpersonal relationships as well as those between people and their society, government, and nation.

To encourage and maintain people in good condition, the value of Yi must be a reference for individuals in bringing themselves into society. The value of Yi is reflected in a commitment to truth, justice, obligation, and decency. The accountant's code of ethics specifically emphasizes the significance of Yi's values, namely integrity, and objectivity, in the professional lives of accountants. Accountants are expected to be straightforward and honest in all professional and business relationships, and to apply professional or business judgments without being influenced by (a) bias, (conflict of interest), or (3) undue influence or dependence on people, organizations, technology, or other factors.

Not only does eastern philosophy emphasize the importance of virtue values in maintaining professional accounting ethics; western philosophers, too, emphasize the importance of virtue and ethical values in the accounting profession (West, 2018). The embodiment of Confucius' moral ethical values is explicitly directed at individuals in their

activities. If it has anything to do with the practice of accounting, then these ethical and moral values have a direct bearing on the individual actions that an accountant takes in each and every accounting practice that he engages in.

In the context of professional accounting, if a person adheres to virtue ethics, he will undoubtedly be able to carry out his role in accordance with the ethics in which he believes (West, 2018). Confucian beliefs also have optimism that everyone who has virtue will always be able to overcome difficulties for himself or the community around him (Lasiyo, 1997). Furthermore, Confucianism believes that virtue will lead individuals to become *chun tzu* which is the highest criterion of moral values, a true human who has a noble soul, a perfect human because of his attitude that deserves to be a role model, which is the ideal type of human being desired by Confucius (Lasiyo, 1997). *Chun tzu* humans are people who embody humanity, truth, faith, courtesy, and wisdom. These expectations are also hoped for by accounting professionals in order for them to embody the value of Yi/benevolence in their roles. If all accounting professional actors can cultivate civilization for themselves, the decisions they make will be of high quality

Implementation of the value of Ren (human heartedness) in the Accounting Profession

The Confucian ethical system is more concerned with compassion and understanding for others. Thus, benevolence is founded on the harmony in relationships with others produced by ethical practice through the process of identifying one's own and others' interests. This value manifests itself in three ways: conscience/empathy for others, care for others/altruism, and respect for others.

In addition to emphasizing the application of Ren's values, Confucianism teaches about the concept of justice, with one of the most famous expressions being "return good with good and repay evil with justice." Regarding an accountant's ethical principles in this situation, it can be related to objectivity and professional prudence, which emphasizes the need to acquire and maintain the necessary level of professional knowledge and expertise as well as act honestly and in accordance with applicable professional and technical standards.

Thus, an accountant is required to create harmony based on his professional competence without infringing on the rights and obligations inherent in the parties who deal with him professionally. It is hoped that by following professional rules, the value of wisdom or wisdom (Zhi) will characterize an accountant's professional decisions

The Accounting Profession and Confucian Humanism

Humanism is derived from the Latin term *humanitas*, which refers to human nature, feelings, and kindness. The most profound Confucian teachings on humanism come from its emphasis on moral excellence, self-civilization, and the capacity for well-informed decision-making as opposed to knowledge of natural laws (Chou, 2013). Confucianism places a high value on humanism, morality, and ethics as guiding principles for humanity in discovering the meaning and purpose of life. In general, Confucian principles of humanism and morality will foster good social relations and a peaceful and prosperous life (Faqih, 2021).

As a virtue ethic, Confucianism promotes humanism (Norden, 2013). Confucius also strongly condemns individuals who are only concerned with their personal interests while ignoring the public good (Hartati, 2021). Confucius also emphasized the importance of quality work in life, which is the most visible form of humanism in the context of professional accounting life. Confucianism fosters a work environment that fosters healthy reciprocal relationships, resulting in optimal results (Lasiyo, 1997; Subekti, 2010). In the

context of the professional life of accounting, the principles above are very influential on the contribution of output and outcome of the work of accounting professionals. For example, if an accountant is able to integrate the value of humanism into his professional role, he will avoid a conflict of interest situation that will almost certainly force him to prioritize his personal interests.

Other accounting professions, such as company managers, with the value of humanism that he has, he will always be able to realize a quality work of life in the work environment (Felicia, 2019). Additionally, humanism is crucial for educators in the field of accounting so that students can learn about the virtues that are the values of Confucianism as an attitude that manifests in daily life. If the humanism approach is taken as a basis in the process of sharing knowledge between people, educators and students, ethical values are more easily conveyed. A teacher or lecturer who teaches accounting with empathy will help his students develop their professional ethics

Closure

Various values contained in Confucian philosophy, become the basis for character building because they are on a subjective or personal level. At that level, Confucianism can concentrate on moral emulation and self-cultivation, which are later expected to be able to help create a more humanistic civilization and foster peaceful, prosperous social relationships.

In the context of professional accounting, the values taught and embodied by Confucianism are expected to develop virtue ethics in accounting professionals, so that their professional contributions have a characteristic of wisdom that adheres to scientific competence and so that decisions made are free from conflicts of interest that have the potential to take advantage of oneself and abuse others' justice.

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